

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-10
NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 DOE-15 SOE-02 SS-15 AGRE-00
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R 311015Z MAY 78
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 5330
USDOC WASHDC
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMCONSUL KRAKOW POUCH
AMCONSUL LENINGRAD
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMCONSUL POZNAN POUCH
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
USMISSION USNATO

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C O R R E C T E D C O P Y (TEXT--PARAS TWO, THREE)

PARIS ALSO FOR USOECD

EO 11652: NA
TAGS: ETRD EIND EAGR EMIN ENRG PL UR COMECON
SUBJ: OCCIDENTAL PETROLEUM CORPORTATION NEGOTIATIONS
IN POLAND
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REF: WARSAW 4415 (NOTAL)

1. SUMMARY. AFTER FIVE-DAYS OF NEGOTIATIONS IN WARSAW,
A GROUP OF OCCIDENTAL PETROLEUM OFFICIALS HAVE SIGNED A
MEMORANDUM OF UNDERSTANDING WITH THE POLISH GIVERNMENT
WHICH CALLS FOR EARLY CONCLUSION OF AN AGREEMENT FOR EXCHANGE

OF POLISH SULPHUR FOR US PHOSPHATE ROCK, THE DEVELOPMENT OF A JOINTLY-OWNED POLISH-OCCIDENTAL PHOSPHATE MINE IN THE UNITED STATES, BILATERAL EXCHANGES OF A NUMBER OF BASIC CHEMICALS, AND OCCIDENTAL TECHNOLOGY EXCHANGE AND ASSISTANCE FOR POLAND IN CHEMICAL AND COAL INDUSTRY DEVELOPMENT. OCCIDENTAL WILL ALSO PROVIDE FINANCIAL ASSISTANCE IN SOME SECTORS. THE EMBASSY BELIEVES THE POSSIBILITIES ARE GOOD FOR CONCLUSION OF FIRM AGREEMENTS ON MOST OF THE PROPOSALS MADE, ESPECIALLY SINCE THEY DO NOT REQUIRE HARD CURRENCY EXPENDITURES AND COULD HAVE LONG-RANGE BENEFITS FOR POLISH AGRICULTURE. END SUMMARY.

2. ON MAY 27 IN WARSAW, AFTER FIVE DAYS OF INTENSIVE NEGOTIATIONS, AN OCCIDENTAL PETROLEUM CORPORATION TEAM SIGNED A MEMORANDUM OF UNDERSTANDING WITH THE GOVERNMENT OF POLAND CONCERNING THE PROPOSED EXCHANGE OF AMERICAN PHOSPHATE FOR POLISH SULPHUR. THE EXCHANGE WILL EXTEND FOR A TWENTY-YEAR PERIOD AND WILL INVOLVE ANNUAL SHIPMENT OF ABOUT ONE MILLION TONS OF PHOSPHATE ROCK FOR 500,000 TONS OF MOLTEN SULPHUR. THE MEMORANDUM ALSO PROPOSES DEVELOPMENT OF A POLISH-OCCIDENTAL PHOSPHATE MINE IN THE U.S. AND A NUMBER OF TECHNOLOGY EXCHANGE AND COOPERATION AGREEMENTS IN THE AREAS OF CHEMICAL AND COAL DEVELOPMENT. NEGOTIATIONS FOR FIRM AGREEMENTS ARE TO BEGIN IMMEDIATELY. THE OCCIDENTAL GROUP WAS LED BY OCCIDENTAL BOARD CHAIRMAN AND CHIEF EXECUTIVE OFFICER ARMAND HAMMER AND INCLUDED SENIOR LIMITED OFFICIAL USE

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OFFICERS FROM FOUR MAJOR OXY SUBSIDIARIES - ISLAND CREEK COAL COPPERATION, HOOKER CHEMICAL CORPORATION, OCCIDENTAL INTERNATIONAL AND OCCIDENTAL RESEARCH CORPORATION.

3. DURING HIS STAY IN WARSAW, HAMMER MET WITH POLISH FIRST SECRETARY GIEREK, PRIME MINISTER JAROSZEWICZ, AND PLANNING COMMISSION CHAIRMAN AND VICE PREMIER TADEUSZ WRZASZCZYK. NEGOTIATIONS WERE ALSO CONDUCTED WITH OFFICIALS OF THE MINISTRIES OF FOREIGN TRADE, CHEMICAL INDUSTRY, MINING, COAL INDUSTRY AND ENVIRONMENTAL PROTECTION.

4. THE SULPHUR-PHOSPHATE EXCHANGE IS DIRECTLY RELATED TO OCCIDENTAL'S TWENTY-YEAR ARRANGEMENT WITH THE USSR FOR AN ANNUAL IMPORT OF \$500 MILLION DOLLARS WORTH OF SOVIET AMMONIA FOR SUPERPHOSPHORIC ACID IN EQUIVALENT VALUE. ACCORDING TO HAMMER, THE FIRST SHIPMENTS OF SOVIET AMMONIA HAVE BEGUN ARRIVING IN THE US, AND SHIPMENTS OF SUPERPHOSPHORIC ACID ARE SCHEDULED TO LEAVE FLORIDA SOON. MANUFACTURE OF SUPERPHOSPHORIC ACID REQUIRES LARGE AMOUNTS OF SULPHUR, WHICH OXY HAS BEEN BUYING FROM US SOURCES AND ABORAD. POLAND HAS BEEN BUYING PHOSPHATE ROCK FOR HARD CURRENCY FROM THE US AND MOROCCO. HENCE, BOTH SIDES WILL BENEFIT FROM THE EXCHANGE

WHICH WILL REQUIRE NO HARD CURRENCY TRANSFERS. IN ADDITION,
ACCORDING TO OCCIDENTAL OFFICIALS,
THE AGREEMENT COULD LEAD TO INCREASED FERTILIZER AVAIL-
ABILITIES FOR POLISH AGRICULTURE.

5. THE MAIN FEATURES OF THE PROPOSED AGREEMENT, BAFVD ON A
COPY OF THE MEMORANDUM OF UNDERSTANDING WHICH THE EMBASSY
OBTAINED ON MAY 28, FOLLOW.

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R 311015Z MAY 78
FM AMEMBASSY WARSAW
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PARIS ALSO FOR USOECD

A. PHOSPHATE ROCK - SULPHUR BARTER ARRANGEMENTS. POLAND
WILL DELIVER 500,000 TONS OF MOLTEN SULPHUR A YEAR TO
OCCIDENTAL FACILTIEIS AT WHITE SPRINGS, FLORIDA. OCCIDENTAL

WILL DELIVER ONE MILLION TONS OF PHOSPHATE ROCK (70 PERCENT BONE PHOSPHATE OF LIME) TO POLAND ANNUALLY. TESTS WILL BE RUN ON THE INITIAL 30,000 TONS OF PHOSPHATE TO PERMIT EARLIEST LIMITED OFFICIAL USE

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POSSIBLE UTILIZATION BY POLISH INDUSTRY. BOTH PARTIES AGREE THAT DELIVERIES OF SULPHUR WILL REQUIRE AN EXPANSION OF MINING FACILITIES AND CREDITS TO COVER EQUIPMENT AND LOCAL COSTS. BOTH PARTIES MAY SELL PURCHASES WHICH ARE IN EXCESS OF INTERNAL REQUIREMENTS. DELIVERIES WILL BE "BALANCED" SO AS TO BE APPROXIMATELY EQUAL IN VALUE.

B. TECHNICAL ASSISTANCE TO POLAND. OCCIDENTAL WILL PROVIDE TECHNICAL INFORMATION AND ASSISTANCE TO POLISH INDUSTRY ON THE PRODUCTION AND USE OF LIQUID FERTILIZERS.

C. POLISH-OCCIDENTAL JOINTLY OWNED PHOSPHATE MINE IN THE US-OCCIDENTAL AND THE GOVERNMENT OF POLAND WILL EXPLORE THE POSSIBILITY OF ACQUIRING AND JOINTLY DEVELOPING A PHOSPHATE ROCK MINE IN THE UNITED STATES. ITS CAPACITY WILL BE ABOUT THREE MILLION METRIC TONS PER YEAR. AFTER PRODUCTION BEGINS, EACH PARTY WILL, OVER THE NEXT 20 YEARS, BE ENTITLED TO RECEIVE ONE-HALF OF OUTPUT AT COST.

D. DEVELOPMENT OF CHLORINE AND CAUSTIC SODA PRODUCTION IN POLAND. BOTH PARTIES WILL EXCHANGE AND CROSS-LICENSE TECHNOLOGY FOR THE PRODUCTION OF CHLORINE AND CAUSTIC SODA. WHEN THE POLISH MINISTRY OF CHEMICAL INDUSTRY AGREES, HOOKER CHEMICAL CORPORATION'S TECHNOLOGY WILL BE USED TO REVAMP EXISTING FACILITIES FOR CHLORINE AND CAUSTIC SODA PRODUCTION IN POLAND, AND ALSO TO BUILD NEW FACILITIES PROVIDED HOOKER'S TERMS ARE COMMERCIAL AND FINANCIALLY COMPETITIVE. IF POLAND PURCHASES COMPLETE PLANTS FROM HOOKER, POLAND WILL HAVE PREFERENTIAL RIGHTS TO USE OF NEW TECHNOLOGY DEVELOPED BY HOOKER FOR CHLORINE AND CAUSTIC SODA PRODUCTION.

E. BILATERAL TRADE IN CHEMICALS - BOTH PARTIES WILL MAKE EVERY EFFORT TO CONCLUDE CONTRACTS AS EARLY AS 1980-1981
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FOR EXCHANGE OF CERTAIN CHEMICALS, SPECIFIED AS FOLLOWS.
FROM POLAND TO OCCIDENTAL: EPICHLORHYDRINE, HEAVY SODA ASH, CAUSTIC SODA, POLYETHYLENE LD, POLYVINYL CHLORIDE. FROM OCCIDENTAL TO POLAND: CHLORINATED ORGANIC AND INORGANIC CHEMICALS FOR PESTICIDES, FIRE RETARDANTS AND OTHER USES; PHOSPHOROUS AND PHOSPHOROUS CHEMICALS; SPECIALIZED POLYVINYL

CHOLRIDE RESINS AND PRODUCTS; ELECTROTREATING AND SURFACE
TREATING CHEMICALS AND EQUIPMENT; ARGICHEMICALS.

F. EXCHANGE OF TECHNOLOGY IN COAL PRODUCTION -
BOTH PARTIES WILL CONCLUDE AGREEMENTS
ON THE EXCHANGE OF TECHNOLOGY FOR
COAL MINING, MINE SAFETY, DESIGN FOR NEW MINES, RECONSTRUCTION
OF OLD MINES, METHANE DRAINAGE AND COAL GASIFICATION AND
LIQUEFACTION. EFFORTS WILL BE MADE TO DEVELOP MUTUALLY
BENEFICIAL COAL TECHNOLOGY RESEARCH PROGRAMS.

6. COMMENT: AS NOTED IN THE EMBASSY'S REFTTEL, CONCLUSION
LW THESE AGREEMENTS COULD BE OF SUBSTANTIAL VALUE FOR
POLAND IN IMPROVING THE COUNTRY'S LONG-TERM FERTILIZER AND
CHEMICAL AVAILABILITIES. AND GIVEN POLAND'S SEVERE BALANCE
OF PAYMENT PROBLEMS AND HUGE EXTERNAL HARD-CURRENCY DEBT,
THE BARTER ARRANGEMENTS ARE EXTREMELY ATTRACTIVE. WE THERE-
FORE ESTIMATE THAT PROBABILITIES ARE GOOD THAT FIRM AGREE-
MENTS WILL BE CONCLUDED FOR MOST, IF NOT ALL, OF THE PROPOSALS
OUTLINED IN LAST WEEK'S RAPIDLY NEGOTIATED MEMORANDUM OF
UNDERSTANDING. THE PLANS FOR DEVELOPMENT OF A JOINTLY-OWNED
PHOSPHATE ROCK MINE IN THE US BEAR AN INTERESTING SIMILARITY
TO ISLAND CREEK'S VENTURE TO DEVELOP A COAKING COAL FACILITY
IN THE UNITED STATES FOR ROMANIA. THIS, PLUS THE DIRECT
CONNECTION BETWEEN THE SULPHURE-PHOSPHATE DEAL AND HAMMER'S
AMMONIA-PHOSPHORIC ACID AGREEMENT WITH THE USSR, WOULD
SEEM TO PLACE HIM NEAR THE TOP AS FAR AS BIG-DEALING, EAST-
WEST TRADE ENTREPRENEURS ARE CONCERNED. END COMMENT.
SCHAUFEL

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